

PROVINCE OF SASKATCHEWAN



07-08

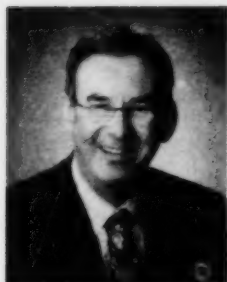
ANNUAL REPORT

**PUBLIC EMPLOYEES BENEFITS AGENCY
REVOLVING FUND**

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Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2008.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in black ink, appearing to read "Rod Gantefer".

Rod Gantefer
Minister of Finance

Letter of Transmittal

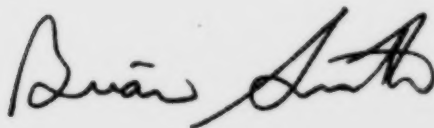
The Honourable Rod Gantefer
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith". The signature is fluid and cursive, with the first name "Brian" and last name "Smith" clearly distinguishable.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds

Public Employees Pension Plan
Public Service Superannuation Plan
Municipal Employees' Pension Plan
Liquor Board Superannuation Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Saskatchewan Transportation Company Superannuation Plan
Anti-Tuberculosis League Superannuation Plan
Members of the Legislative Assembly Superannuation Plan
Judges of the Provincial Court Superannuation Plan
Saskatchewan Pension Annuity Fund

Employee Benefit Funds

Public Employees Group Life Insurance Plan
Public Employees Dental Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Public Employees Disability Income Plan
Public Employees Deferred Salary Leave Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Government of Saskatchewan Scheduled Aircraft Plan
SaskPower Supplementary Superannuation Plan
Additional Pension Contribution Program
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 Benefit Plans' Surplus Fund

Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Saskatchewan Government Insurance Service Recognition Plan
SaskEnergy Retiring Allowance Plan
SaskPower Millennium RRSP
SaskPower Severance Pay Credits Plan
SaskPower Designated Employee Benefit Plan
Saskatchewan Watershed Authority Retirement Allowance Plan
Saskatchewan Water Corporation Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at \$5,100,000.

Administration Costs

2008	\$10,722,356
2007	\$9,680,841
2006	\$8,020,075
2005	\$6,780,646

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

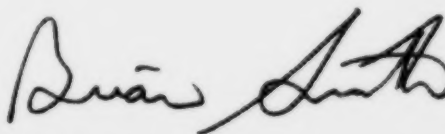
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

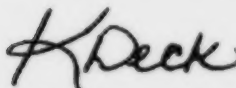
The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2008 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 9, 2008

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2008

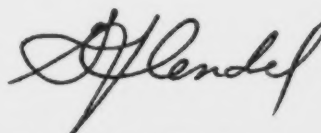
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Employees Benefits Agency Revolving Fund as at March 31, 2008 and the statements of operations, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
May 9, 2008

**Public Employees Benefits Agency Revolving Fund
Balance Sheet**

Statement 1

As At March 31

	<u>2008</u>	<u>2007</u>
ASSETS		
Accounts receivable (Note 6)	\$1,715,637	\$1,053,376
Capital assets (Note 4)	<u>4,720,761</u>	<u>4,852,273</u>
	<u>\$6,436,398</u>	<u>\$5,905,649</u>
 LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$2,793,187	\$1,970,157
Non-current Liabilities:		
Accumulated net expenditure (Statement 3)	<u>3,643,211</u>	<u>3,935,492</u>
	<u>\$6,436,398</u>	<u>\$5,905,649</u>

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Operations

Statement 2

For The Year Ended March 31

	2008		2007
	Budget (Note 7)	Actual	Actual
REVENUE			
Administration fees (Note 6)	\$12,264,904	\$10,722,356	\$9,680,841
EXPENSES: (Note 6)			
Salaries and benefits	6,273,155	5,661,284	5,016,915
Contractual services	2,836,050	2,461,072	2,563,948
Amortization	870,972	718,626	539,994
Rent	652,250	640,397	583,797
Postage and communications	493,240	467,951	298,315
Supplies	261,302	383,576	256,255
Travel	446,860	202,259	236,748
Advertising/printing	400,475	149,702	150,817
Board and business expenses	21,600	27,885	21,357
Repairs and maintenance	9,000	9,604	12,695
Total expenses	12,264,904	10,722,356	9,680,841
Net income	\$ -	\$ -	\$ -

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure**

Statement 3

For The Year Ended March 31

	<u>2008</u>	<u>2007</u>
Financing provided by operating activities:		
Net income	\$ -	\$ -
Amortization of capital assets	718,626	539,994
Loss on disposal of capital assets	1,371	5,569
Net change in working capital items related to operations (Note 5)	<u>160,769</u>	<u>593,475</u>
Net financing provided by operating activities	<u>880,766</u>	<u>1,139,038</u>
Financing required for investing activities:		
Purchase of capital assets	<u>(588,485)</u>	<u>(898,583)</u>
Net financing required for investing activities	<u>(588,485)</u>	<u>(898,583)</u>
Net decrease in financing requirements	292,281	240,455
Accumulated net expenditure, beginning of year	<u>(3,935,492)</u>	<u>(4,175,947)</u>
Accumulated net expenditure, end of year (Statement 1)	<u><u>\$(3,643,211)</u></u>	<u><u>\$(3,935,492)</u></u>

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund Notes to the Financial Statements

March 31, 2008

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund consists of the net increase (decrease) in financing requirements for each fiscal year since inception.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

- i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
- ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) Capital Assets

The Revolving Fund capitalizes purchased computer hardware, software, and furniture greater than \$2,000, system development greater than \$20,000, and leasehold improvements greater than \$10,000.

Capital assets are amortized on a straight-line basis over the useful lives of the capital assets. Computer hardware and software are amortized over five years, system development

and furniture over ten years, and leasehold improvements over the term of the lease. Assets are amortized commencing in the year in which assets are placed into service.

Work in progress assets include system development costs incurred for systems not yet placed into service.

The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

e) **Financial Instruments**

Effective April 1, 2007, the Revolving Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured.

The Revolving Fund's financial instruments and their classification are as follows:

Financial Instrument	Classification
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

f) **Recent Accounting Pronouncements**

Effective April 1, 2008, the Revolving Fund will be required to adopt the CICA Handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Revolving Fund is exposed, and how the risks are managed by the Revolving Fund. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Revolving Fund does not expect the adoption of these new standards to have a material impact on its financial statements.

g) **Use of Estimates**

These statements are prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$5,100,000 by Order in Council 58/2007.

4. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2008	2007	2008	2007	2008	2007
Computer Hardware	\$ 731,877	\$ 593,027	\$ 408,556	\$ 356,466	\$ 323,321	\$ 236,561
Computer Software	460,643	219,875	212,418	153,039	248,225	66,836
Furniture	372,731	372,731	195,907	162,531	176,824	210,200
System Development	6,022,738	5,394,348	2,050,347	1,532,826	3,972,391	3,861,522
Leaseholds	289,875	289,875	289,875	289,875	-	-
Work in progress	-	477,154	-	-	-	477,154
	<u>\$7,877,864</u>	<u>\$7,347,010</u>	<u>\$3,157,103</u>	<u>\$2,494,737</u>	<u>\$4,720,761</u>	<u>\$4,852,273</u>

5. Net Change in Working Capital Items Related to Operations

	2008	2007
Increase in accounts receivable	\$(662,261)	\$(300,178)
Increase in accounts payable and accrued liabilities	823,030	893,653
	<u>\$ 160,769</u>	<u>\$ 593,475</u>

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include \$1,779,608 (2007 - \$1,430,164) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed

by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The following table summarizes the Revolving Fund's related party transactions.

	<u>2008</u>	<u>2007</u>
Administration fees	\$10,698,664	\$9,677,865
Expenses:		
Salaries and benefits	859,209	696,298
Rent	614,291	565,232
Postage and communications	414,307	279,202
Supplies	26,056	34,432
Contractual services	23,008	20,471
Travel	2,800	1,120
Repairs and maintenance	126	10,166
Board and business expenses	2,097	5,390

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$1,588,484	\$1,035,604
Accounts payable and accrued liabilities	\$1,924,774	\$302,220

In addition, the Revolving Fund pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

8. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	<u>2008</u>	<u>2007</u>
Net income	\$ -	\$ -
Decrease (increase) in net capital assets	131,512	(353,019)
Amounts not included in Public Accounts due to timing	<u>(2,862)</u>	<u>8,692</u>
Net recovery (expense) reported in Public Accounts	<u>\$ 128,650</u>	<u>\$(344,327)</u>

9. Financial Instruments Risks

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments recorded as accounts receivable, and accounts payable and accrued liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. However, the majority of the Revolving Fund's receivables are from government plans and programs administered by PEBA. Therefore, the credit risk is minimal.

10. Comparative Figures

Certain of the 2007 balances have been reclassified to conform with the current year's presentation.

